

TENNESSEE GENERAL ASSEMBLY
 FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 2005 - HB 2067

June 10, 2020

SUMMARY OF ORIGINAL BILL: Establishes the Tennessee Food Freedom Act (Act) for the purpose of recognizing the right of individuals to produce, procure, and consume homemade foods of their choice free from unnecessary and anticompetitive regulations, and foster small businesses, innovation, and economic growth.

Exempts from licensing, permitting, inspecting, packaging and label laws of this state the production and sale of certain homemade food items. A producer or seller of any such exempt item or items is required to register with the state. Establishes that the act does not apply if any such food item is meat, meat byproduct, meat food product, poultry, poultry byproduct, or poultry food product, unless certain criteria are met.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue - \$24,200/FY21-22 and Subsequent Years/
 Agriculture Regulatory Fund

Decrease State Expenditures - \$5,000/FY21-22 and Subsequent Years/
 Agriculture Regulatory Fund

IMPACT TO COMMERCE OF ORIGINAL BILL:

Decrease Business Expenditures - \$24,200/FY21-22 and Subsequent Years

SUMMARY OF AMENDMENTS (017068, 018501): Amendment 017068 deletes and replaces language in the original bill without making any substantive changes to the legislation.

Amendment 018501 deletes and replaces language in the original bill without making any substantive changes to the legislation.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- The Department of Agriculture (DOA) currently permits small and home kitchens.
- This legislation will result in a decrease in such licenses.
- Currently, the DOA receives \$9,000 in license fee revenue from 18 community kitchen licenses; \$8,400 from 56 permits for food manufacturers using a community kitchen; and \$30,975 from small manufacturer licenses.
- A potential loss of \$48,375 in license fee revenue ($\$9,000 + \$8,400 + \$30,975$).
- It is estimated that this legislation will result in a decrease in licensure fee revenue to the DOA equal to half of the licensees which could potentially no longer seek licensure with the Department as a direct result of this Act.
- A recurring decrease in state revenue of \$24,188 ($\$48,375 \times 50\%$).
- This legislation will result in a decrease in expenditures currently incurred by the DOA to travel and investigate community kitchens, food manufacturers using a community kitchen and small manufacturers.
- The number of small manufacturer licenses which this will impact was not provided by the DOA, but is reasonably estimated to impact at least 36, for total number of 100 impacted kitchens ($56 + 18 + 36$).
- Based on the information provided by DOA, the average miles traveled to domestic kitchen sites for inspections is 32 roundtrip miles, and the cost per mile is \$0.47. As a result, the recurring decrease in state expenditures to the ARF is estimated to be \$1,504 ($32 \text{ roundtrip miles} \times \$0.47 \text{ per mile} \times 100 \text{ domestic kitchens}$).
- The average expenditures incurred by the DOA for inspection of domestic kitchen sites are estimated to be \$35. The recurring decrease in state expenditures to the ARF is estimated to be \$3,500 ($\$35 \text{ inspection fee} \times 100 \text{ domestic kitchens}$).
- Pursuant to the DOA rule 0080-04-13-.03 (5), any applicant for a license of food manufacturing is required to remit its application and annual license fee to the Department on or before July 1 of each year and all licenses issued expire on June 30 following their issuance.
- This legislation will take effect January 1, 2021, or in FY20-21, when all such licensees are assumed to have been issued licenses for such fiscal year; therefore, such licensure fee revenue decrease will first be experienced in FY21-22.
- A decrease in state revenue of \$24,188 in FY21-22 and subsequent years.
- A decrease in state expenditures of \$5,004 in FY21-22 and subsequent years ($\$1,504 + \$3,500$).

IMPACT TO COMMERCE WITH PROPOSED AMENDMENTS:

Unchanged from the original fiscal note.

Assumption for the bill as amended:

- This legislation will result in a decrease in business licensure expenditures of \$24,188 for an unknown number of small businesses.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jdb